

Investigating Income Diversification Strategies into Off-Farm Activities Among Rural Households in Ethiopia

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Abstract : Off-farm income diversification by farm rural households has gained the attention of researchers and policymakers due to the fact that agriculture failed to meet the needs of people in developing countries like Ethiopia. The objective of this study was to investigate income diversification strategies into off-farm activities among rural households in Hawassa Zuria Woreda, Sidama National Regional State, Ethiopia. The study used primary and secondary data sources for the primary data collection questionnaire employed as a data collection instrument. A multistage sampling technique was used to collect data from a total of 197 sample households from four kebeles of the study area. Descriptive statistics, as well as econometrics methods of data analysis, were employed. The descriptive statistics result indicates that the majority of sample rural households (68.53 %) have engaged in off-farm income diversification activities while the remaining 31.47% of households did not participate in the diversification in the study area. The choice of participants among the strategies indicates that 6.60% of respondents participated in off-farm wage employment, 30.46% participated in off-farm self-employment, and about 31.47% of them participated in both off-farm wage employment. The study revealed that the share of off-farm income in total annual earnings of households was about 48.457%, and thus, the off-farm diversification significantly contributes to the rural household income. Moreover, binary and multinomial logistic regression models were employed to identify factors that affect the participation and the choices of the off-farm income diversification strategies, respectively. The binary logit model result indicated that agro-ecological zone, education status of the households, available technical skills of the household, household saving, total livestock owned by the households, access to electricity, road access and being married of household head were significant and positively affected the chance of diversification in off-farm activities while the on-farm income of households is negatively affected the chance of diversification. Similarly, the multinomial logistic regression model estimate revealed that agroecological zone, on-farm income, available technical skills, household savings, and access to electricity are positively related and significantly influenced the household's choice of employment into off-farm wage employment. The off-farm self-employment diversification choice is significantly influenced by on-farm income, available technical skills, household savings, total livestock owned, and access to electricity. Moreover, the result showed that the factors that affect the choice of farm households to engage in both off-farm wage and self-employment are ecological zone, education status, on-farm income, available technical skills, household own saving, market access, total livestock owned, access to electricity and road access. Thus, due attention should be given to addressing the demographic, socio-economic, and institutional constraints to strengthen off-farm income diversification strategies to improve the income of rural households.

Keywords : off-farm, income, diversification, logit model

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